

**STATEMENT OF
THE HONORABLE JON J. RYCHALSKI
ASSISTANT SECRETARY FOR MANAGEMENT AND CHIEF FINANCIAL OFFICER
DEPARTMENT OF VETERANS AFFAIRS (VA)
BEFORE
THE HOUSE COMMITTEE ON VETERANS' AFFAIRS**

**"COVID-19 SUPPLEMENTAL FUNDING:
DID IT PROTECT AND IMPROVE VETERAN CARE?"**

MAY 23, 2023

Good morning, Chairman Bost, Ranking Member Takano and members of the Committee. Joining me today are my colleagues, Laura Duke, Chief Financial Officer, Veterans Health Administration (VHA); and Robert McDivitt, Network Director, Veterans Integrated Service Network (VISN) 23.

VA, alongside our Federal partners, is proud of our role in the Federal response to the Coronavirus Disease 2019 (COVID-19) pandemic beginning in 2020. The COVID-19 pandemic touched every part of VA's operations, as it has other Federal agency operations, State, local and Tribal governments, and private industry. The pandemic's path, duration, and impact were unclear when COVID-19 first emerged in the United States. VHA's response to COVID-19 demonstrated the strength and agility of an integrated health care system geographically distributed across the U.S. and operating as a single enterprise. The Veterans Benefits Administration (VBA) ensured the health and safety of Veterans by pausing all Compensation and Pension (C&P) examinations for Veterans and working with VHA on local risk assessments prior to resuming examinations. Because of VBA's swift and effective response to the COVID-19 pandemic, VBA's Medical Disability Examination Office was able to increase the number of examinations for every year of the pandemic, even with the 2-month pause in 2020.

VA appreciates Congress' supplemental appropriations, which provided approximately \$36.7 billion in supplemental funding outside our annual appropriation from three COVID-19 relief laws between 2020 and 2021. The Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) provided \$19.6 billion to VA in 2020. The CARES Act resources provided for Veterans' COVID-19 related health care in VA facilities and in the community. The funding supported all levels of our COVID-19 response, from procurement of test kits and specialized equipment to the overtime and travel costs for staff rotating into hot zones. It allowed VA to grow telehealth capabilities, provide financial support to State Veteran Homes (SVHs) and support the unique economic and health care needs of Veterans who were experiencing homelessness or at risk of becoming homeless. VA obligated 99.6% of the CARES Act funding within the period of availability. VA also received \$60 million in the Families First Coronavirus Response Act (FFCRA) (P.L. 116-127), which prohibited VA from charging any

copayment or other cost-sharing payments under Chapter 17 of title 38 for COVID-19 testing or medical visits that resulted in COVID-19 testing.

In 2021, approximately a year into the pandemic, Congress passed the American Rescue Plan Act of 2021 (ARP, P.L. 117-2) to continue providing comprehensive support to the American people. The ARP included \$17.1 billion to ensure that Veterans had continued access to quality health care and protections against COVID-19, as well as needed economic relief. It provided funding for health care, debt relief and additional support for SVHs. As of April 25, 2023, VA has \$2.1 billion remaining in ARP funding, targeted for obligation by their expiration at the end of FY 2023.

The VA Office of Inspector General (OIG) and the Government Accountability Office have each conducted extensive oversight of VA's execution of the COVID-19 relief funding provided in the CARES Act and ARP. OIG produced three reports as required by the VA Transparency & Trust Act of 2021 (Transparency Act; P.L. 117-63).¹ In the inaugural report, OIG focused on whether VA's spend plans provided to Congress on December 22, 2021, satisfied the requirements of the Transparency Act. OIG made two recommendations to me as the Assistant Secretary for Management/Chief Financial Officer, and both of these recommendations are now closed. In the two subsequent reports, OIG found VA generally complied with the Transparency Act and made no recommendations. VA also acknowledges the OIG report VHA Can Improve Controls Over Its Use of Supplemental Funds (OIG Report #21-03101-73), published earlier this month. We have concurred with the nine recommendations and are working through the action plan to address them.

The dedication and commitment of VA employees at all levels of the organization are evident in our response to this pandemic. Again, I want to thank Congress for the \$36.7 billion in supplemental funding to fight this battle and keep Veterans and their communities safer. Without this support, we would not have successfully put into action all the necessary work to assist Veterans, their families, and their caregivers.

Utilization of CARES Act and ARP

The CARES Act and ARP funding, combined with resources in the base budget, supported Veterans' health care needs in VA facilities and the community. VA estimates that Veterans' care needs in FY 2023 will face increased costs attributable to COVID-19-related delays in care, more complex care, and greater reliance on VA due to economic impacts from the pandemic.

¹ VA's *Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: March 2023*, VAOIG-22-00878-79, March 21, 2023; VA's *Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: Sept 2022*, VAOIG-22-00879-236, September 22, 2022; VA's *Compliance with the VA Trust & Transparency Act of 2021*; VAOIG-22-00879-118, March 22, 2022

Staffing

The resources and hiring flexibility Congress provided enabled VHA to hire over 136,000 new clinical and administrative staff across the health care system in FY 2020 to 2022 to optimize continued delivery of care. This included a record 5,000 hiring increase over the average 43,000 from FY 2018-FY 2021 to 48,665 new external hires for VHA in FY 2022. Many hiring flexibilities were utilized to support emergency hiring during the COVID-19 pandemic. The Office of Personnel Management (OPM) granted VA Direct-Hire Authority (DHA) for several critical occupations. DHA enabled VHA to hire, after public notice, any qualified applicant without regard to competitive rating and ranking, or application of Veterans' preference. VHA also utilized the COVID-19 Schedule A Hiring Authority for Temporary Appointments authorized by OPM. Under this authority, VHA could temporarily appoint qualified individuals nationwide, at all grade levels, to any positions needed in direct response to the effects of COVID-19.

With additional support for our emergency management response, VA added over 2,500 medical/surgical and Intensive Care Unit beds. VHA supported 76 additional travel nurse positions to support COVID-19 deployments. The Office of Nursing Services' (ONS) Registered Nurse Transition to Practice (RNTTP) Program was awarded CARES Act funding to support various nurse staffing initiatives as well as the salaries for RNTTP and Veterans Affairs Learning Opportunities Residency (VALOR) Residents. This funding enabled ONS to support the recruitment of nearly 1,700 Graduate and Student Nurse Technicians as well as VALOR Residents. This effort greatly assisted in bridging the clinical practice gap for Registered Nurses and ensured a seamless transition from the academic to a clinical practice setting. Likewise, ONS sponsored an RNTTP Recruitment and Marketing Campaign as well as the national Nurse Manager Institute in collaboration with the American Organization of Nursing Leaders. As a result, roughly 600 new Nurse Managers developed critical management skills necessary to be an effective nurse leader, and to build a culture of engagement, problem-solving and conflict management.

VBA utilized available funding during the pandemic to focus on the disability compensation and pension (C&P) claims and appeals backlog. We were able to utilize ARP funds to hire and train 2,000 employees and for overtime to ensure timely claims processing. The COVID-19 pandemic temporarily halted the supply of critical medical evidence and Federal records necessary to render decisions on Veterans' disability claims. The backlog peaked in October 2021 at 264,000 claims due to these supply chain issues, but we were able to recover and achieve a backlog of fewer than 165,000 claims in August 2022, immediately prior to the passage of the Honoring our Promise to Address Comprehensive Toxics (PACT).

Homelessness

The CARES Act and ARP funding also proved essential to addressing the unique economic and health care needs of Veterans who are homeless or at risk of becoming homeless. This funding provided emergency housing, including placing Veterans in

hotels and providing homelessness prevention assistance to mitigate the expected wave of evictions and potential homelessness resulting from extensive unemployment. Between January 2022 and March 2023, there were 18,447 emergency housing placements. From March 2020 through January 2021, VA's Supportive Services for Veteran Families (SSVF) program placed over 23,000 vulnerable Veterans in hotels or motels. Prior to the pandemic, placement rates annually were less than 10,000. The placements helped to reduce the vulnerable Veterans' risk of exposure to COVID-19 in congregant and unsheltered settings while permanent housing placements were explored.

Additionally, CARES Act and ARP provided authority and funding that enabled VA to waive per diem rate limits in the Grant and Per-Diem (GPD) program during the public health emergency. This allowed grantees to provide needed emergency housing and supportive services for Veterans who needed to be isolated for their safety or the safety of others. Between April 2020 and May 11, 2023, GPD grantees requested nearly 1,200 per diem rate modifications, and many submitted multiple requests as their needs fluctuated during the pandemic (for example, utilization of motels). The additional funding and flexibility with our authority allowed existing grantees to develop individualized housing settings to serve homeless Veterans more safely in transitional housing. The Health Care for Homeless Veterans (HCHV) Program used ARP funds for temporary rate increases aimed at establishing safety protocols in residential contracted services. The rate increases were used to purchase essential personal protective equipment (PPE), and establish additional sanitation, testing, and isolation protocols.

In addition, the Homeless Programs Smartphone Initiative was implemented at the onset of the COVID-19 public health emergency to help homeless or at-risk of homeless Veterans remain engaged with their health care providers and support systems when face to face visits were not an option. These devices allowed Veterans to attend virtual groups and recovery programs, assist with virtual housing and job searches and help VA staff monitor their well-being during this unprecedented time. From March 2020 through April 2023, VA disseminated more than 77,000 technology devices to VA Medical Centers (VAMC) and SSVF grantees for distribution to Veterans at-risk of or experiencing homelessness.

ARP funding was also utilized to support the statutory authority, under section 4201 of the Johnny Isakson and David P. Roe, M.D. Veterans Health Care and Benefits Improvement Act of 2020 (P.L. 116 -315), which authorized VA, during a covered public health emergency, to use amounts appropriated to provide certain supportive services and goods to eligible Veterans that would otherwise be prohibited. Through March 2023, over 62,740 Veterans experiencing homelessness benefited from such support services and goods as rental deposits, utility payments, move-in kits, furniture, bus passes, groceries, hygiene items, hotel/motel vouchers, and landlord incentives. In addition, VA was able to support Veterans with transportation to medical appointments, job interviews, housing searches, and other mental health and homeless services through its Rideshare program. From August 2021 through March 2023, the VA

Rideshare program served over 42,000 individual Veterans and provided over 451,000 combined rides.

These resources have been essential to the 11% decrease in the number of Veterans experiencing homelessness from 2020 to 2022 (i.e., 37,252 Veterans as reported in the 2020 Point-in-Time Count to 33,129 Veterans in 2022). This decline follows several years in which the number of Veterans experiencing homelessness remained virtually unchanged, despite having decreased significantly from 2010 to 2016. Overall, Veteran homelessness has decreased by 55.3% since 2010. Additionally, these resources were instrumental in over 40,000 Veterans becoming permanently housed in calendar year 2022, exceeding VA's goal to house at least 38,000 Veterans experiencing homelessness by more than 6%.

Regional Readiness Centers (RRCs)

The COVID-19 pandemic prompted a sudden surge in demand for PPE and other COVID-19 related supplies as unparalleled PPE requirements stressed the supply chain. VHA was charged with building resiliency into the supply chain while distributing urgently needed PPE to VAMCs nationwide. VA's existing warehouse and distribution capabilities at the beginning of the COVID-19 response complicated this challenge because there was no centralized infrastructure to store, manage, and distribute PPE to VAMCs. RRCs enabled VA to maintain Veteran care by ensuring that PPE and other critical medical supplies remained available to VAMCs even during supply chain disruptions. As COVID-19 incidences varied by jurisdiction, and despite global shortages of PPE, critical equipment, and consumable items, VHA was able to sustain operations in locations experiencing high demand by cross-leveling staff, PPE, and equipment such as ventilators from areas with low levels of disease. The RRC network distributed over 212 million items to VAMCs and Fourth Mission entities from March 2020 through May 2023.

IT Infrastructure and Equipment

In response to the COVID-19 pandemic, VA's Office of Information Technology (OIT) received two sources of COVID supplemental funding through the CARES Act for FY 2020 and 2021 and ARP for FY 2022 and 2023. With the conclusion of the pandemic emergency response, OIT remains focused on continuing to meet legal, fiscal, and performance requirements for covered funds. OIT was allocated \$2.2 billion in CARES Act funds, and obligated 100% of the amount, with 99% paid expenditures as of May 11, 2023. ARP provided OIT with a \$1.4 billion allocation with 73% obligated and 49% paid expenditures as of May 11, 2023.

The demand from the pandemic further stressed the IT tools and needs to support care. OIT supported the growth or development of over 20 programs to include activations, telehealth, and VA Health Connect. Activations allowed VA to quickly provide clinicians, frontline health workers, and medical staff the necessary equipment to move remotely and safely provide care to Veterans during the pandemic. CARES Act

funding paid for new IT equipment, increased temporary staffing, significantly enhanced telehealth and clinical contact center services, and expanded telework/bandwidth remote work capabilities. ARP funding supported the continuation of pandemic medical care activities and enterprise-level IT investments initiated under CARES Act and provided funding for supply chain modernization.

This supplemental funding was crucial in advancing and modernizing VA's IT infrastructure and capabilities so that Veterans received uninterrupted care and services during the pandemic. The reliance on telehealth in VA continues to grow, consistent with changes in the health care industry in general, as the care delivery system transitions from a mostly in-person model to one providing options for digital care. VA has been and continues to be a leader in this transformation, as demonstrated through the evolution of the COVID-19 pandemic. Throughout the pandemic, OIT doubled the remote end-user connectivity capacity at VA's communications gateways and increased the Department's Telehealth VA Video Connect capacity by a factor of five. In fact, from March 2020 to April 29, 2023, OIT supported over 27.8 million telehealth visits during the pandemic. The number of video visits to offsite locations in FY 2022 represents a more than 3,000% increase compared to FY 2019.

Additionally, OIT created several significant Veteran-facing applications that improved direct Veteran communication for vaccination and appointment support. These investments supported a surge in usage of VA's digital health tools during the pandemic, an increase that shows no sign of abating. For example, from January – March of 2023, Veterans and their VA health care providers exchanged over 8.9 million secure messages, a 10% increase over the same period in 2022 and a 61% increase compared to the 5.5 million messages exchanged in the period of January – March 2020, immediately before the pandemic.

OIT also supported behind-the-scenes upgrades and improvements that ultimately led to improving Veteran care, including:

- New clinical applications and data management reporting systems managing pandemic support and national tracking and reporting;
- Acquiring nearly 200,000 laptop end points in support of additional staff, multiple vaccination centers, test centers, and facilitating new workflows for infection control;
- Cybersecurity enhancements protecting VA's data and networks against evolving threats in an increasingly remote connectivity environment;
- Increased bandwidth across the entire VA enterprise that supported and facilitated remote telemedicine applications such as TeleCritical Care; and
- Instrumentation of nearly 100 critical clinical applications and infrastructure to build the telemetry and visibility necessary to support and sustain resiliency properly.

CARES Act and ARP funds remain crucial in providing much-needed IT services and infrastructure, ultimately protecting and improving Veteran care. OIT is working to obligate the remaining ARP funds, currently committing \$237 million to project-level

funding execution in data integration and management, cybersecurity, hardware maintenance, and Veteran-facing services on VA.gov.

Research

VHA remained invested in ongoing research and innovation, and was also a significant contributor to the national research response to COVID-19. VHA rapidly established its clinical trials enterprise to contribute to several treatment studies and vaccine trials sponsored by the National Institutes of Health and private industry. Through its Office of Research and Development (ORD), VHA funded a number of clinical studies including ones looking at convalescent plasma and Degarelix, an FDA-approved medication for prostate cancer (these were not pivotal trials); VA also leveraged its infrastructure to partner with the National Institutes of Health and industry in trials they sponsored on various COVID treatments (e.g., ACTIV trials) and vaccines; leveraged its electronic medical records to conduct in-depth analyses on COVID-19 and Long-COVID, and the creation of a national biorepository, the VA Science and Health Initiative to Combat Infectious and Emerging Life-Threatening Diseases (VA SHIELD). In a partnership with the Department of Defense, ORD co-funded a longitudinal research cohort in which VA enrolled over 2,800 Veterans to learn more about the natural history and outcomes among those affected by COVID-19.

VA also established a Veteran research volunteer registry in which over 58,000 Veterans stepped up to participate in COVID-19 research studies when needed. While specific to COVID-related research, this effort helped lay some groundwork for what VA can do for other studies in the future. During a 7-month period in 2021, VHA started more than 50 COVID-19 studies and published 316 COVID-19 related articles. The research includes studies on health effects such as Long COVID, clinical trials, treatments and genomic sequencing for variant identification. Additionally, VHA Advanced Manufacturing (part of the VHA Innovation Ecosystem) continued to provide COVID-19 support through its 3D Printing Network by producing face shields, face masks, ear savers and nasal swabs that were utilized across VHA. A key activity related to this effort, the Nasal Swab Objective and Statistical Evaluation Study, was done in partnership with the Food and Drug Administration (FDA). As part of this effort, three VAMCs registered with the FDA as medical device manufacturers. VHA is exploring how point-of-care manufacturing can be used in operating rooms and hospitals, as well as for immediate supply chain resilience.

Non-Recurring Maintenance

ARP resources supported VA facility enhancements to better prepare VHA to deliver care in a pandemic or post-pandemic environment. More than 170 individual contracts were issued for infrastructure and delivery improvements to VAMCs across the country, amounting to more than \$193 million in emergent investments, many of which were issued at the height of the pandemic and continuing throughout the emergency. Funds were directed to such functions as increased air-flow in patient areas, creating negative pressure spaces where recommended, conversions of space

to inpatient care areas, improving laboratory testing facilities, providing safe and secure entryways and alternate patient triage, intake and testing areas, sterilization equipment and utilities, placement of related medical equipment, improved patient communication systems, pandemic equipment storage facilities, and improvement of isolation facilities. In addition, utility systems such as electrical and steam generation and distribution were upgraded at some facilities to better manage increased energy consumption and heating, ventilation and air conditioning upgrades, boiler upgrades and other projects to prevent pandemic contagion were executed.

ARP resources also supported the modernization of VHA facility infrastructure to support new systems such as the electronic health record, financial management, and biomedical technologies. In FY 2022, \$818 million was obligated to fund design and construction projects to modernize data centers, telecommunication rooms, and upgrade fiber and cabling backbones to improve data connectivity and resiliency. An additional \$183 million was invested in FY 2023 with plans to spend the remaining \$253 million on projects that are currently in solicitation.

Education Service

VA used CARES Act funding to start the modernization of the GI Bill® information technology (IT) platform to deliver benefits faster, provide better customer service, and strengthen our compliance and oversight activities. By streamlining and automating the Post-9/11 GI Bill application experience, VA is now able to provide some Veterans and Service members eligibility decisions within seconds, pre-filled service history, quick access to digital copies of eligibility letters and a better user experience with intuitive designs.

Another program, the Veteran Rapid Retraining Assistance Program (VRRAP), was enacted as part of the ARP. It offers eligible Veterans up to 12 months of tuition and fees, and a monthly housing allowance. VA stopped accepting applications from Veterans on December 10, 2022. As of May 1, 2023, VA has received 31,593 applications from Veterans and issued 22,817 Certificates of Eligibility. To date, there have been 13,626 total VRRAP participants. As of this same date, VA has verified 1,294 Veterans' employment statuses with an average starting salary of \$54,049. Of the \$386 million authorized for VRRAP in ARP, VA currently anticipates obligating \$366 million in benefit payments through the end of the program.

File Conversion Services

VBA was able to increase scanning records efforts at the National Personnel Records Center (NPRC) in St. Louis, Missouri and College Park, Maryland as a result of National Archives and Records Administration facilities closings. VBA utilized CARES Act funding to execute Option Year 1 of its File Conversion Services contract, which provides contractor support to retrieve and digitize historical paper and alternative media records stored at NPRC, making those materials available for immediate use to adjudicate Veteran disability compensation claims. CARES Act funds paid for digitizing

nearly 700,000 Veteran Claims Files, and nearly 1.1 million Official Military Personnel Files. We established an onsite scanning facility at the NPRC, which enables VBA to scan up to 1,500 records per day within 24 hours of receipt.

State Home Per Diem Program

VA's Office of Geriatrics and Extended Care (GEC) received \$100 million in CARES Act and \$250 million in ARP funding to distribute one-time payments to State Extended Care Facilities for COVID-19-related expenditures and operational costs. The funds also assisted in providing additional staffing, tuition forgiveness and recruitment and retention incentives for personnel at SVHs. SVHs also used funds for COVID-19 testing (which allowed several States to maintain compliance using aggressive COVID-19 testing practices), PPE supplies, purchases of freezer systems for COVID-19 vaccinations, mobile air purification systems and purchases of entry point systems at each SVH that screen for COVID-19 and takes individual temperatures. SVH facilities also strengthened their telehealth and video conferencing capabilities through equipment purchases and modification to existing facilities to create isolation capabilities.

VA waived the 90% occupancy rate for bed holds for Veterans in the hospital up to the first 10 consecutive days, allowing 129 of 153 State Veteran Homes not meeting the 90% Veteran occupancy threshold to continue to receive payments for bed holds. Additionally, VA waived the 75% Veteran and 25% non-Veteran occupancy requirements, consistent with authority granted by Congress. VA GEC provided additional supplemental per diem increases of 2.9% in March 2020, 2.6% in April 2022, and 2.2% in April 2023. Per diem was not supplementally increased in FY 2021.

State Veterans Homes (SVH) Construction Grant Program

\$500 million from ARP was designated to provide grants through the current grant program for SVH construction in addition to the regular FY 2021 appropriation for SVH construction grants of \$90 million. There was a total of 34 projects for \$500 million. All funds were obligated.

Funding of \$150 million from the CARES Act was designated for SVH construction grants, but specifically for projects preventing, preparing for, and responding to COVID-19, and which modify or alter existing SVHs, or for previously awarded projects, to cover construction cost increases due to COVID 19. The CARES Act, as amended by section 513 of the Consolidated Appropriations Act, 2021 (P.L. 116-260), removed the general requirement of 35% matching funds by the State for SVH construction grant projects, as well as other requirements, to include the requirement to establish a priority list, but the Secretary was required to establish a new competition to award grants to States. The Secretary signed a memo establishing a competition to award grants for these COVID-19 related projects funded under the CARES Act, accepting applications on a rolling basis, and awarding grants on a first come, first serve basis. States that had previously submitted approved CARES Act

COVID-19 Project applications were sent funding offers on March 18, 2021, for 35 projects totaling \$124 million.

Conclusion

Chairman Bost, Ranking Member Takano, thank you for the opportunity to speak on VA's record fighting COVID-19 today. I look forward to your questions.